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TAGS: [PREL](#) [PGOV](#) [PHUM](#) [KWBG](#) [IR](#) [TU](#) [IS](#)  
SUBJECT: SCENESETTER FOR THE VISIT OF USUN AMBASSADOR SUSAN  
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Classified By: Ambassador James B. Cunningham, Reason 1.4 (b) (d)

[11](#). (S) Summary. Israelis are even more anxious than usual these days as the Goldstone Report is being discussed in Geneva and New York. Israeli leaders have developed a virtually obsessive reaction to the report, which they see as both an assault on the State of Israel and its democratic institutions, and as an attempt to deny their right to self-defense against terrorism. They will be eager to discuss how to contain the report's impact on Israel's standing in the international community. The Palestinian Authority's handling of the Goldstone Report has greatly complicated Israel's already tense relations with the PA and threatens to undermine the GOI's plans to cooperate with the PA to improve conditions in the West Bank. Ongoing disagreements with the PA over settlements and Jerusalem are compounded by the impact of Goldstone and a possible reconciliation agreement between Fatah and Hamas. In Gaza, Israeli policy is caught on the horns of a dilemma over Gilad Shalit and the evident consolidation of Hamas' control. The GOI is on board for our policy of engagement with Iran, but PM Netanyahu and Defense Minister Barak in particular continue to regard a nuclear-armed Iran as a dire threat and will want to discuss the prospects for early and tougher sanctions. Deteriorating relations with Turkey are also on their minds, as they see Turkey's Islamist government distancing itself from Israel while moving closer to Syria and Iran. On Lebanon, recent evidence of Hizballah activity south of the Litani has served to underscore the failure of UNSCR 1701 to stop the flow of arms from Iran to Hizballah via Syria. Netanyahu's coalition is solid and he is not under any serious internal political pressure to change course, but Israelis see a growing questioning of Israel's legitimacy around the world, for which some blame Netanyahu's policies. Netanyahu understands the critical importance to Israel of close relations with the U.S., and is sensitive to charges that he is mishandling his relationship with Washington. The question is what is he prepared to do to advance our relationship. End Summary.

Goldstone at the Top of the Agenda  
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[12](#). (C) The Goldstone Report has been a near-obsessive issue with Israel's senior leadership since its release September 14. The report infuriated Israelis for a number of reasons, including its equating of Israel's actions with those of Hamas during Cast Lead, its failure to address the context of the thousands of rockets and mortars fired into southern Israel that led to the GOI's decision to launch the operation, its dismissal of Israel's investigatory mechanisms and its suggestion that Israel silenced dissenting views, and most significantly, the report's sweeping conclusion that the Olmert Government and IDF leadership conceived and carried out the operation with the explicit intent of punishing Gaza's civilian population. As PM Netanyahu said in his

October 12 speech at the opening of the Knesset's winter session, Goldstone condemned Israel for taking military action to defend itself following years of attacks on Israeli civilians by Hamas war criminals. The Israeli bottom line on the Goldstone Report is that it and the reaction to it constitutes an attempt by its adversaries and by elements of the international community to de-legitimize the State and to deny Israel the fundamental right to self-defense.

13. (C) In the same Knesset speech, Netanyahu reiterated a warning that he has voiced several times in the past few weeks: if the international community, as represented by the General Assembly and/or Security Council, votes to adopt the report, Israel will not be able to take further risks for peace. The GOI cannot contemplate ceding West Bank land without retaining a credible threat to respond to any attacks from Palestinian territory. In this context, Netanyahu has also referred to the Goldstone Report as "war by other means." We anticipate that all of your Israeli interlocutors will focus in your meetings on how to deal with the report in both the GA and SC.

#### Palestinian Dilemmas

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14. (S) It is no secret that Abu Mazen and his key advisers reacted negatively to Netanyahu's government and would have preferred Opposition Kadima Party leader Tzipi Livni as their negotiating partner. The failure to agree on the terms of a settlement freeze, as well as ongoing differences over the parameters of the negotiations, contributed to the Abu Mazen's reluctance to resume negotiations, but the PA's

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embracing of the Goldstone Report has created a crisis of confidence with the GOI. Israelis are well aware that Abu Mazen has been damaged by his October 1 decision to defer action on the report in the Human Rights Council, but remain incensed by Palestinian tactics and seem to have few ideas how to set this aside and move ahead. Netanyahu's plans to develop security and economic cooperation on the ground, even in the absence of a political process, risks breaking down amid the acrimony over Goldstone. So far, the newly developed security cooperation on the ground between the IDF and the PA in the West Bank is continuing, but it too may collapse if political tensions continue to rise. A Palestinian reconciliation agreement that includes a role for Hamas in the West Bank would spell the end to the possibility of security cooperation with the IDF. Well informed Israeli commentators have started discussing the possibility of a Third Intifada breaking out soon if a GOI-PA political dialogue cannot be restored; another Palestinian uprising would be a disaster for all. Some Israelis say Netanyahu is comfortable seeing Abu Mazen in a weakened position, but Netanyahu has told us he sees no alternative to Abu Mazen and wants him to remain in office.

15. (S) Meanwhile, the GOI is stuck on the horns of a dilemma in its Gaza policy. As IDF Southern Commander Major General Yoav Gallant told us recently, Israel's civilian leadership has not been able to resolve the contradictions between its short term interest in Hamas being strong enough to impose a ceasefire on the other Gaza factions, its medium term interest in preventing Hamas from consolidating its control of Gaza, and its longer term interest in avoiding Israeli reoccupation of the Strip. Israeli public opinion puts pressure on the GOI to keep the Gaza crossings closed except for humanitarian supplies and a minimal level of commercial goods as long as Hamas holds Gilad Shalit hostage. It is unclear whether Netanyahu and his inner cabinet can stomach a prisoner exchange deal on Hamas' terms, an outcome that would be a huge victory for Hamas and would impact Abu Mazen. Indications that Hamas' leadership may see Palestinian internal politics shifting back in their direction is only likely to lead the Israelis to hold firm on the crossings. Quiet counter-smuggling and counterterrorism cooperation with

Egypt has improved considerably this year, but that relative bright spot on the regional scene is undercut by increasingly hostile Egyptian public rhetoric.

#### Iran and Turkey

16. (S) The GOI is on board with our engagement with Iran and PM Netanyahu has expressed satisfaction with the President's overall approach, but they will want to hear your views on the prospects for early and tougher UNSC sanctions. Netanyahu and Defense Minister Barak continue to view a nuclear armed Iran as the gravest threat that Israel faces, not principally because of the possibility of an Iranian nuclear strike against Israel, but due to the likely regional impact of Iran achieving its nuclear goals. Given Iran's poor economic situation, divisions at the top of the regime, and the loss of popular legitimacy, they will argue that now is the best time to step up the pressure on Iran. Some non-governmental Israeli experts are starting to say that there is now more time to convince Iran to give up its weapons program, but Netanyahu and Barak continue to stress the need to maintain a credible threat of a military option. The IDF high command asserts that it is confident that Israel has the capability to significantly set back if not destroy Iran's nuclear program, and we believe they have prepared several military options for Netanyahu and his inner cabinet's consideration.

17. (S) Another new and troubling regional dynamic is the rapid erosion of Israel's strategic relationship with Turkey. Turkish PM Erdogan's harsh anti-Israeli rhetoric since the Gaza operation is finally spilling over into the mil-mil relationship, as evidenced by Erdogan's decision to reject Israel's participation in the Anatolian Eagle air exercise, an annual event for the past eight years involving the U.S., Italy and NATO elements as well. The Israelis have expressed great appreciation for the U.S. decision to withdraw from the exercise and for U.S. leadership in convincing Italy and NATO to follow suit, but the fact that the Turkish military was unwilling or unable to prevent political tensions from impacting such a high-profile exercise was seen here as a clear indication of new limits to the Turkish General Staff's role. Israeli experts on Turkey argue that Israel is suffering from a shift among Turkish elites away from identification with the West and a new-found enthusiasm for

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reviving Turkey's Islamic identity. They are deeply disturbed that a centuries-old Turkish tradition of tolerance toward Jews is being swept away by a steady stream of anti-Semitic rhetoric and anti-Israeli propaganda from Turkey's Islamist political leadership. Increasing Turkish strategic cooperation with Syria and a soft Turkish line toward Iran add to Israeli anxieties.

#### Lebanon

18. (S) We are still waiting for the GOI to decide what to do about the northern side of the village of Ghajar. MFA has informed us that they have advised the cabinet to accept UNIFIL's plan for replacing the IDF presence on Lebanese territory, but the cabinet still has to decide on the issue. The Lebanese border remains generally quiet, but two recent incidents of explosions of apparent rocket caches in southern Lebanon have led to Israeli charges to the UN about what the Israelis insist is UNIFIL's failure to prevent Hizballah from rebuilding its bases south of the Litani, as well as the broader failure to enforce the arms embargo provisions of UNSCR 1701. Minister without Portfolio Benny Begin, a member of Netanyahu's inner cabinet, speaking on Israeli radio October 14, accused the international community of failing to prevent Hizballah's rearmament on such a scale that Hizballah now possesses a stockpile of 40,000 rockets and missiles, including advanced Iranian systems capable of striking

anywhere in Israel. Israeli officials have shared with us their assessment that while Hizballah is not currently interested in another round with Israel, another large-scale military confrontation with Hizballah is almost inevitable sooner or later.

#### A Time of Anxiety

9. (C) Netanyahu enjoys a stable coalition and does not face any significant political challenge from Livni at this point. Foreign Minister Lieberman may have to resign this year if he is indicted on money laundering and other charges, and Ehud Barak presides over a faction-ridden Labor Party and is coming under public pressure for extravagant expenditures during a recent official visit to Paris. But neither Lieberman's indictment nor Barak's unpopularity is likely to threaten Netanyahu's coalition. The Israeli economy continues to perform well, the security situation is excellent, with no Israelis dying from terrorist attacks this year, and Israelis from all walks of life celebrated the awarding of the Nobel Prize for science to an Israeli woman chemist. Netanyahu has skillfully moved to positions which enjoy broad support, and has succeeded for the time being in quieting the concerns of the right wings of his party and coalition over a possible settlement freeze, concessions on Jerusalem, or large-scale action to remove illegal outposts.

10. (S) Yet Israelis are even more anxious than usual, and many observers say Netanyahu is failing to offer a positive vision of where Israel is headed. The breakdown of dialogue with the Palestinians is one cause for concern, and Israel's relationship with its neighbors is deteriorating, at least rhetorically, across the board. The upset of its valued relationship with Turkey, and increasingly harsh criticism of Israel in Europe, including calls for boycotts or criminal prosecutions under universal jurisdiction, are adding to the sense of foreboding. Influential Ha'aretz columnist Ari Shavit noted in an October 15 op ed that ninety-two years after the Balfour Declaration and sixty-two years after the passage of the UNGA's plan to partition Palestine, the legitimacy of Israel as a Jewish state is increasingly challenged around the world. What is worse, Israelis do not know how to counter it, since very few here believe that peace with the Palestinians or an end to the occupation are close at hand. Speaking at the October 12 Knesset opening, Tzipi Livni squarely placed the blame on Netanyahu, accusing him of leading Israel down the path to disaster by seeking to "defeat" President Obama and "humiliate" Abu Mazen, charges Netanyahu has made clear that he rejects. Netanyahu and his close advisers understand full well that close relations with the U.S. are in Israel's vital national interest, and they seem to believe they are managing the relationship with Washington, our differences notwithstanding. They are sensitive to charges they are not. The question remains what is Netanyahu prepared to do to advance our relationship in the days ahead.

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